

Sony DADC

Sony DADC  
1800 North Fruitridge Avenue  
Terre Haute, IN 47804  
Tel. 1-812-462-8100

July 9, 2018

FILED

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CITY CLERK

Michelle L. Edwards, City Clerk  
Office of the Clerk  
City Hall, Room 102  
17 Harding Avenue  
Terre Haute, IN 47807

Dear Ms. Edwards,

This letter is in response to your letter dated June 20, 2018 notifying Sony DADC US Inc. ("Sony DADC") of a hearing of the Common Council (the "Council") on July 12, 2018 at 5:30 PM.

The extended due date for our property tax return filing was June 14<sup>th</sup>. It was our understanding that by law, we were entitled to an additional 30 day extension beyond June 14<sup>th</sup>. Rather than extending our filing date a full 30 days however, we notified the Assessor's office via telephone on June 12<sup>th</sup> that our return would be submitted just after the June 14<sup>th</sup> date. The Assessor's office indicated that they had no concerns with the requested extension and asked that we file the returns by June 25<sup>th</sup> if possible. The return was filed on June 20<sup>th</sup> and it DID NOT claim any deduction for the abatements previously granted to Sony DADC as we did not believe Sony DADC to be in substantial compliance with the current applicable abatements.

Sony DADC has been a model employer in Terre Haute for nearly 35 years. For most of those years we have been the top Manufacturing employer in the region from an employee headcount perspective. We have infused nearly \$5 billion into the local economy through employee payrolls, use of local suppliers/materials and local trades, as well as taxes paid. We have introduced numerous products that have been household names for many years and have helped Terre Haute create a center for excellence for high tech manufacturing jobs. Sony DADC has, since its inception in 1983, been the recipient of many generous tax abatements for which we are most grateful. We have always met the payroll and/or headcount commitments pursuant to these abatements. Until now.

Given the rapid adoption of on-line offerings for both music and video content by consumers, the demand for CD and DVD products has declined precipitously. Additionally, the latest disc technology which Sony brought to market (Blu-ray), has not achieved the same degree of market share as previous formats.

Sony DADC has acted diligently over this time to reduce non-human costs and grow sales in non-traditional businesses such that we could continue operations at historic (if not higher) levels. Since 2006, we have consolidated our other US (New Jersey and Oregon) and Canadian manufacturing volumes into Terre Haute by closing our sites in those areas, thus benefitting the Terre Haute based operation. Over the last 2 years, (despite being found to be in substantial compliance by the Council) we have struggled to maintain the headcount requirements of some of the abatements provided for in

the Statements of Benefits. We have consistently acted reasonably toward our employees and the city of Terre Haute and have done all that we could in an attempt to comply with the conditions set forth in the current applicable abatements which we have been granted.

The difficult market conditions described above, coupled with aggressive industry consolidation among our competitors has forced us to make some very difficult decisions and to take some very serious actions this year. Sony DADC's exit from the CD and DVD markets was a decision that was made only after all reasonable efforts to forestall such an action were exhausted. Sony DADC was, as you likely know, the first CD production facility in this hemisphere and has successfully produced the format, without interruption, since September of 1984. This was not an easy decision for us.

Given this reality, Sony DADC does not believe it is in substantial compliance with the statement of benefits for 2018 and, as such, do not feel entitled to any deduction from the 2018 tax base. Thus, the return filed on June 20<sup>th</sup> does not claim any deductions under any current applicable tax abatements. As no deduction is claimed, Sony DADC did not file the CF-1 Form. As it is also unlikely that our headcount will increase during the remaining years of the current abatements, we would concur with any action taken by the City Council to rescind those future abatements.

Sincerely,



Michael Mitchell